

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1977-04
Bill No.: HCS for HB 735
Subject: Insurance - Automobile; Insurance Dept.; Motor Vehicles
Type: Original
Date: April 6, 2009

Bill Summary: Establishes the Uninsured Motorist Stipulation of Benefits Act of 2009 which changes the laws regarding uninsured motorists.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(\$3,430,011)	(\$3,364,234)	(\$3,465,162)
Total Estimated Net Effect on General Revenue Fund	(\$3,430,011)	(\$3,364,234)	(\$3,465,162)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Highway	\$385,650	\$462,780	\$462,780
Total Estimated Net Effect on <u>Other</u> State Funds	\$385,650	\$462,780	\$462,780

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	74	74	74
Total Estimated Net Effect on FTE	74	74	74

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$128,550	\$154,260	\$154,260

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Administrative Hearing Commission, Office of State Courts Administrator, Missouri Department of Transportation, Office of Prosecution Services, and St. Louis County** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Office of Attorney General** assume any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Department of Public Safety (DPS) - Director's Office** assume that any costs associated with this proposal can be absorbed with existing resources. The DPS notes that while Section 303.025.3(2)(a) allows the department to enter into agreements with local law enforcement agencies to collect suspended or revoked driver's licenses, the DPS assumes that it is more likely the Department of Revenue would enter into such agreements since the Department of Revenue regulates drivers' licenses.

Officials from the **DPS - Missouri State Highway Patrol** assume the proposal will not fiscally impact their organization.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** assume the DIFP can handle appeal requests under current staffing and appropriation levels. However, should the number of appeals be more than expected, the department may need to request additional staff and appropriation through the budget process.

For the purpose of this proposed legislation, officials at the **Office of State Public Defender (SPD)** cannot assume that existing staff will provide competent, effective representation for any new cases arising where indigent persons are charged with creating fraudulent insurance cards or are faced with the enhanced penalties for not maintaining proper vehicle insurance. It will be a new misdemeanor for willful failure to return his/her motor vehicle license plates and registration upon demand.

Passage of bills increasing penalties on existing crimes, or creating new crimes, requires the SPD system to further extend resources. While the number of new cases (or cases with increased penalties) may be too few or uncertain to request additional funding for this specific bill, the SPD will continue to request sufficient appropriations to provide competent and effective representation in all its cases.

Oversight assumes the SPD can absorb the additional caseload that may result from this proposal.

ASSUMPTION (continued)

Officials from the **Department of Corrections (DOC)** state the DOC cannot predict the number of new commitments which may result from the creation of the offense(s) outlined in this proposal. An increase in commitments depends on the utilization by prosecutors and the actual sentences imposed by the court. If additional persons are sentenced to the custody of the DOC due to the provisions of this legislation, the DOC will incur a corresponding increase in direct offender costs either through incarceration (FY 08 average annual cost of \$5,709 per inmate) or through supervision provided by the Board of Probation and Parole (FY 08 average annual cost of \$902 per offender).

The DOC assumes the narrow scope of the crime will not encompass a large number of offenders, the low felony status of the crime enhances the possibility of plea-bargaining or imposition of a probation sentence, and the probability exists that offenders would be charged with a similar but more serious offense and that sentences may run concurrent to one another. Therefore, supervision through probation or incarceration would result in some additional costs, but the DOC assumes the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS realizes this is a small amount and does not expect that additional funding would be required to meet these costs. The SOS recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of that the office can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **City of Centralia** state revenues will be unpredictable, but are likely to be very minimal.

Officials from the **Department of Revenue (DOR)** provided the following assumptions for this proposal:

ADMINISTRATIVE IMPACT

Driver License Bureau Impact:

This proposal requires the Driver's License Bureau (DLB) to suspend the owner's driver license, registration certificates and license plates of the uninsured vehicle, for persons whose financial responsibility has lapsed, within 15 days of the lapse, unless the person obtained insurance or surrendered the license plates within five days of the lapse. The proposal also requires the DLB to assess and collect fees and fines and handle surrendered/confiscated driver licenses and license

ASSUMPTION (continued)

plates. The DLB would require 32 Revenue Processing Technician I (\$25,380 each annually) to complete General Registration System (GRS) Research, examination and key entry of compliances, reinstatement filings and reinstatement fees, handle walk-in customers, key enter driver license and license plate surrenders and process appeal outcomes received from Department of Insurance; 30 Revenue Processing Technician I (\$25,380 each annually) to answer incoming telephone calls; 4 Revenue Section Supervisors (\$41,712 each annually); 1 Management Analyst Specialist 1 (43,344 annually); 2 Revenue Band Manager I (\$45,000 each annually); and 1 Senior Office Support Assistant (\$27,564 annually).

Surrendered license plates are currently stored at the Knipp Drive location, which is rental property. The DLB would require additional on-site floor space for storage due to the volume and easier accessibility for returns.

The DLB would require associated forms and postage for approximately 1,529 suspension notices daily, as well as postage for reinstatement notices and license plate returns.

Motor Vehicle Bureau Impact:

The Motor Vehicle Bureau (MVB) would be required to revise related policies/procedures and the Department website and key a total of 36,720 registration suspensions per year (153 per day) into the system. (1 Revenue Technician II can key 100 per day). In addition, the MVB will process 15,790 reinstatements per year (assuming a reinstatement rate of 43% out of 36,720 suspensions) upon receipt of proof of insurance. (1 Revenue Technician II can process 263 reinstatements per day per) and respond to 12,118 additional phone inquiries a year (assuming a 33% inquiry rate out of the 36,720 notices to suspend) concerning the suspension, surrender/confiscation, or insurance information. This will require 1 Telephone Information Operator (\$25,380 annually) and supporting equipment (TIO can take 100 phone calls per day). Therefore, the MVB will require a total of 3 Revenue Technician II FTE (\$29,004 each annually), 1 Telephone Information Operator and supporting equipment funding.

This legislation will require programming changes to the Drivers Automated Voice Exchange system referred to as DAVE. This will require the testing of new script added to the phone system.

FY10

37	Estimated hours for project completion
<u>X \$189</u>	Hourly rate for DAVE contractor
\$6,993	

ASSUMPTION (continued)

COA-INFORMATION TECHNOLOY (IT)-DOR

Due to the Statewide Information Technology Consolidation, the department's response to a proposal will now also reflect the cost estimates prepared by COA-IT for impact to the various systems. As a result, the impact shown may not be the same as previous fiscal notes submitted. In addition, if the legislation is Truly Agreed To and Finally Passed, the COA-IT costs shown will be required through appropriations by COA-IT.

The Office of Administration Information Technology (ITSD DOR) estimates that this legislation could be implemented utilizing 6 existing Computer Information Technologist IIIs for 18 months at a rate of \$4,441. The ITSD DOR estimates the IT portion of this request can be accomplished within existing resources. However, if priorities shift, additional FTE/overtime would be needed to implement.

The DOR estimates the total cost of this proposal to be \$3,798,700 for FY 10; \$3,820,619 for FY 11; and \$3,935,237 for FY 12.

Oversight has, for fiscal note purposes only, changed the starting salary for the Revenue Processing Technicians I, Section Supervisor, Management Analyst I, Senior Office Support Assistant, Revenue Processing Technicians II, and Telephone Operator I to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
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GENERAL REVENUE FUND

Costs - DOR

Personal service costs (74 FTE)	(\$1,480,375)	(\$1,829,282)	(\$1,884,161)
Fringe benefits	(\$719,906)	(\$889,580)	(\$916,268)
Equipment and expense	<u>(\$1,229,730)</u>	<u>(\$645,372)</u>	<u>(\$664,733)</u>
Total Cost - DOR	<u>(\$3,430,011)</u>	<u>(\$3,364,234)</u>	<u>(\$3,465,162)</u>
FTE Change - DOR	74 FTE	74 FTE	74 FTE

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

<u>(\$3,430,011)</u>	<u>(\$3,364,234)</u>	<u>(\$3,465,162)</u>
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Estimated Net FTE Change for General
Revenue Fund

74 FTE	74 FTE	74 FTE
FY 2010	FY 2011	FY 2012
(10 Mo.)		

FISCAL IMPACT - State Government

HIGHWAY FUND

<u>Income - DOR</u>			
Reinstatement fees	\$567,375	\$680,850	\$680,850
<u>Loss - DOR</u>			
Repealed reinstatement fees	<u>(\$181,725)</u>	<u>(\$218,070)</u>	<u>(\$218,070)</u>
ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>\$385,650</u>	<u>\$462,780</u>	<u>\$462,780</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
LOCAL GOVERNMENTS - CITIES			
<u>Income - Cities</u>			
Reinstatement fees	\$113,475	\$136,170	\$136,170
<u>Loss - Cities</u>			
Repealed reinstatement fees	<u>(\$36,345)</u>	<u>(\$43,614)</u>	<u>(\$43,614)</u>
Total <u>Income</u> - Cities	<u>\$77,130</u>	<u>\$92,556</u>	<u>\$92,556</u>
LOCAL GOVERNMENTS - COUNTIES			
<u>Income - Counties</u>			
Reinstatement fees	\$75,650	\$90,780	\$90,780
<u>Loss - Counties</u>			
Repealed reinstatement fees	<u>(\$24,230)</u>	<u>(\$29,076)</u>	<u>(\$29,076)</u>
Total <u>Income</u> - Counties	<u>\$51,420</u>	<u>\$61,704</u>	<u>\$61,704</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - CITIES AND COUNTIES	<u>\$128,550</u>	<u>\$154,260</u>	<u>\$154,260</u>
<u>FISCAL IMPACT - Small Business</u>			

This proposal could positively impact small business insurance companies, tow companies,

vehicle impound companies and storage lots.

FISCAL DESCRIPTION

This proposal establishes the Uninsured Motorist Stipulation of Benefits Act of 2009. An uninsured motorist involved in an accident with a complying policyholder will be subject to 100% reduction of recovery for noneconomic damages. The reduction will not apply if it can be proven that the insured motorist caused the accident while under the influence of drugs or alcohol

or if the insured motorist is convicted of vehicular assault or homicide. Passengers in the uninsured motor vehicle will not be subject to the waiver. The proposal will not apply to a motorist whose insurance policy was terminated for failure to pay the premium unless notice of termination for failure to pay was provided by the insurer at least 30 days prior to the accident.

Any person who knowingly or intentionally produces, manufactures, sells, or distributes a fraudulent insurance identification card will be guilty of a class D felony. A person who is knowingly or intentionally in possession of a fraudulent insurance identification card will be guilty of a class B misdemeanor and if in an accident with a complying policyholder will be subject to a 100% reduction of recovery for noneconomic losses. Any person who owns or operates a motor vehicle under the influence of drugs or alcohol and is in an accident will be subject to a 100% reduction of recovery for noneconomic losses.

If a motor vehicle owner fails to maintain financial responsibility as required in Section 303.160, RSMo, the owner will be guilty of a class B misdemeanor for a first offense and a class A misdemeanor for a subsequent violation and will have his or her motor vehicle impounded and driver's license suspended until proof of financial responsibility is provided. The proposal allows the departments of Public Safety and Revenue to enter into agreements with local law enforcement agencies to collect and return to the Department of Revenue suspended or revoked driver's licenses, motor vehicle registrations, and motor vehicle license plates. If financial responsibility is not maintained, the vehicle owner must surrender the vehicle license plate and registration certificate to the Department of Revenue within five days after loss of financial responsibility.

The Department of Revenue can authorize automobile insurers to use alternative methods to provide notice of cancellation, refusal to renew, new policies written, and renewals to the department for individuals whose financial responsibility is through insurance coverage. A registration certificate cannot be reissued until satisfactory evidence of financial responsibility has been filed. The proposal establishes an appeal process for individuals who at the time of suspension have maintained financial responsibility.

FISCAL DESCRIPTION (continued)

Upon proof of financial responsibility, a reinstatement fee of \$200 must be paid by a vehicle owner who has not voluntarily surrendered his or her license plates and registration certificate. Any person who willfully fails to return his or her license plates and registration certificate will be guilty of a misdemeanor and will be punished as follows: (1) For a first offense, a fine of not less than \$100 but no more than \$200, or a 30-day imprisonment; (2) For a second offense, a fine of \$200, a 30-day imprisonment, or both; and (3) For a third or subsequent offense, imprisonment for not less than 45 days but no more than six months.

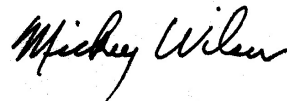
A \$5 per diem fine payable to the Department of Revenue is established for every day in which there is a lapse in the required financial responsibility. The total amount of the fine cannot exceed \$200 for a first offense.

The proposal repeals the provisions relating to proof of financial responsibility notification, suspension, and hearings in Sections 303.041 and 303.042.

This legislation is not federally mandated and would not duplicate any other program.

SOURCES OF INFORMATION

Office of Attorney General
Office of Administration -
 Administrative Hearing Commission
Office of State Courts Administrator
Department of Insurance, Financial Institutions and Professional Registration
Department of Corrections
Department of Revenue
Missouri Department of Transportation
Department of Public Safety -
 Director's Office
 Missouri State Highway Patrol
Office of Prosecution Services
Office of Secretary of State
Office of State Public Defender
City of Centralia



Mickey Wilson, CPA
Director

L.R. No. 1977-04
Bill No. HCS for HB 735
Page 10 of 10
April 6, 2009

April 6, 2009

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